

Message Text

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71

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 SCEM-02 OMB-01

AID-20 IGA-02 SS-15 NSC-10 L-03 H-03 OPIC-12 CIAE-00

DODE-00 INR-10 NSAE-00 PA-03 RSC-01 USIA-15 PRS-01

DRC-01 /131 W

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R 071435Z SEP 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 5207

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 3411

E.O. 11652: GDS

TAGS: BDIS ENRG PINT HO

SUBJECT: PETROLEUM

REF: TEGUCIGALPA 3327

1. IN MEETING BETWEEN KINNEAR, VICE PRESIDENT TEXACO NEW YORK, AND MINECON BENNATON SEPTEMBER 4, TEXACO REFINERY WAS PROMISED RACK PRICE INCREASE IN NEXT FEW DAYS. ADJUSTMENT IS INSUFFICIENT ACCORDING TO TEXACO'S REFINERY MANAGER MILLAR, AND COMPANY IS QUOTE MOST DISAPPOINTED UNQUOTE. HE CLAIMS VENEZUELAN CRUDE PRICE INCREASE OF 30 CENTS A BARREL TO \$4.80 EFFECTIVE SEPTEMBER 1 PUTS REFINERY IN WORST POSITION YET. ALTHOUGH COMPLAINING, TEXACO APPEARS LIKELY TO KEEP REFINERY IN OPERATION FOR IMMEDIATE FUTURE.

2. MINECON REPORTEDLY ASKED KINNEAR IF HE COULD GUARANTEE CONTINUED OPERATION OF REFINERY. LATTER, WITH
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LIBIAN EXPROPRIATION AND PRICE INCREASE HEADLINES IN

NEWSPAPER AT HAND, SAID HE COULD OFFER NO SUCH ASSURANCES BECAUSE OF WORLD MARKET CONDITIONS.

3. EARLIER, ON SEPTEMBER 3, MINECON MET WITH MARKETERS: ESSO, CHEVRON, SHELL AND COPENA (AN INDEPENDENT WITH ONE STATION). TEXACO, WHICH MARKETS IN HONDURAS, WAS NOT INVITED (BECAUSE OF OVERSIGHT, ACCORDING TO MINECON STATEMENT TO KINNEAR). MARKETERS TOLD NO PRICE INCREASES ARE TO BE ALLOWED THEM (EXCEPTING SOME BULK SALES CONTRACTS). BENNATON SAID THOROUGH ECONOMIC STUDY OF MARKETING WOULD COMMENCE IN NEAR FUTURE, BUT NO IMMEDIATE RELIEF SHOULD BE EXPECTED.

4. BENNATON CITED POLITICAL AND ECONOMIC CONDITIONS AS BASIS FOR NO PRICE INCREASES, BUT ROOT OF HIS PROBLEM MAY BE FEAR TRANSPORTATION STRIKES OR OTHER PUBLIC REACTION TO GASOLINE AND DIESEL INCREASES. RETAIN PRICE FREEZE NOW IN THIRD YEAR.

5. COMMENT: GOVERNMENT TACTICS SEEM TO BE TO DELAY RETAIL PRICE HIKES AT LEAST INTO 1974, BUT RETAILERS, PARTICULARLY SHELL, UNLIKELY TO ACCEPT CONTINUED LOSSES INDEFINITELY.
SANCHEZ

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